Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1999

THEIS RESEARCH, INC.

Petitioner

v.

NORTHERN TELECOM INC.

Respondent

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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60 pp

QUESTION PRESENTED

When courts adjudicate the validity of patent claims, whether and to what extent deference is to be given a prior patentability determination by the United States Patent and Trademark Office.

Instead of plenary review, petitioner requests that the Court grant, vacate, and remand for further consideration in light of the Court's decision in *Dickinson v. Zurko*, 527 U.S. 150 (1999).

PARTIES TO THE PROCEEDING

Rule 14.1(b) Statement: Only petitioner Theis Research, Inc., and respondent Northern Telecom Inc. were parties to the proceeding before the Court of Appeals whose judgment is sought to be reviewed.

The following were also parties to the consolidated actions in the United States District Court (N.D. Cal. Nos. C-92 20217, C-93 20287, C-93 20288) from which the subject appeal was taken: Octel Communications Corp., Tigon Corporation, Pacific Telesis Group, Pacific Bell, PacTel Cellular (known later as AirTouch Cellular and now as Vodafone AirTouch Cellular PLC), Pacific Bell Information Services, PacTel Meridian Systems, Digital Sound Corporation (now known as PulsePoint Communications), and Boston Technology, Inc.

In addition, by virtue of a stipulation and order entered in *Theis Research, Inc. v. Bell Atlantic Corporation, et al.* (E.D. Va. Civil Action No. 93-296A), the following parties may be directly affected and bound by certain results in this case: Bell Atlantic Corporation, Bell Atlantic Network Services, Inc., The Bell Telephone Company of Pennsylvania, The Chesapeake and Potomac Telephone Company, The Chesapeake and Potomac Company of Maryland, The Chesapeake and Potomac Company of Virginia, The Chesapeake and Potomac Company of West Virginia, Diamond State Telephone Company, New Jersey Bell Telephone Company, Bell Atlantic Mobile Systems, Inc., and Bell Atlantic Meridian Systems. AT&T and Lucent Technologies are bound to the same stipulation by agreement.

Rule 29.6 Statement: There are no parent companies or nonwholly-owned subsidiaries of Theis Research, Inc.

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PETITION FOR WRIT OF CERTIORARI

Petitioner Theis Research, Inc., respectfully prays that a writ of certiorari issue to the United States Court of Appeals for the Federal Circuit as to its judgment entered November 18, 1999, and amended by its order entered February 9, 2000, granting rehearing only to make language changes. Rather than plenary review, petitioner respectfully requests that the Court grant this petition, vacate the judgment, and remand for further consideration in light of the Court's decision in *Dickinson v. Zurko*, 527 U.S. 150 (1999).

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit appears at Appendix A to the petition and is unpublished. The opinion appears at 1999 U.S. App. LEXIS 30066. The opinion was amended by the order granting rehearing only to make language changes. That order is unpublished and appears at Appendix B and at 2000 U.S. App. LEXIS 2865. The judgment entered September 30, 1998, by the United States District Court for the Northern District of California (Appendix C) is unpublished, as are the district court's orders of January 5, 1994 (Appendix D) and September 29, 1998 (Appendix E).

JURISDICTION

The judgment of the United States Court of Appeals was entered on November 18, 1999. *See* Appendix A. A petition for rehearing was timely filed and was granted on February 9, 2000, only to make language changes. *See* Appendix B.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED

5 U.S.C. § 706. *Scope of review*

. . . The reviewing court shall—

* * *

(2) hold unlawful and set aside agency action, findings, and conclusions found to be—

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

* * *

35 U.S.C. § 102. *Conditions for patentability; novelty and loss of right to patent*

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, . . .

* * *

35 U.S.C. § 282. *Presumption of validity; defenses*

A patent shall be presumed valid. Each claim of a patent . . . shall be presumed valid independently of the validity of other claims; . . .. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

* * *

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

* * *

STATEMENT OF THE CASE

In patent infringement litigation, the Federal Circuit affirmed summary judgment holding certain patent claims invalid. The decision was inconsistent with a previous determination made by the United States Patent and Trademark Office (PTO) in issuing the patent. Without supporting evidence, the Federal Circuit guessed as to technical engineering facts. The claim interpretation adopted by the Federal Circuit was also inconsistent with the PTO's prior determination. The Federal Circuit's decision did not even reference the patent prosecution history, reflecting an absolute lack of deference to the PTO's prior determination.

The PTO issued United States Patent No. 4,559,416 for the invention of a telephone line activity monitor by Peter Theis and Gregory Buchberger (petitioner's predecessors in interest). This telephone line activity monitor records the different states of an incoming line (e.g., idle, ringing, between rings, in use, on hold) and can automatically associate a coded signal with the call record. The invention is significant to telephone call answering centers and has substantial commercial value. It allows tracking and statistical analysis of what happens on incoming calls as it relates to the caller—e.g., the nature of the call, how many rings it takes for a call to get answered, if it gets answered at all, how long the whole call takes, how long a caller gets left on hold, etc.

Under 35 U.S.C. § 102, the PTO does not issue a patent for any invention it determines to be "anticipated." Anticipation is a question of fact. A claimed invention is anticipated if it already appears in the prior art (generally, the public or unprotected information available at the time of the invention). To anticipate, a prior art device or description must contain every element set forth in the patent claim.

In the patent infringement litigation below, respondent moved for summary judgment against petitioner to invalidate pertinent claims of the patent. Respondent contended that it sold a device before the critical date (one year before the patent application was filed) that anticipated the patent claims. Respondent's device recorded time on a call by a called party/employee's telephone handset (*not* the incoming line) and allowed a billing code to be associated with the time record (functions of devices generically known as call detail recording/station message detail recording systems). These same functions were performed by another earlier device (also in the genre of a call detail recorder) that the PTO had considered during the patent application process, which the PTO determined did not anticipate (or even render obvious) the invention claimed in the patent. Respondent made no showing to distinguish its product from the prior device considered by the PTO.

In moving for summary judgment, even though it had the burden of proving anticipation by clear and convincing evidence, respondent did not present evidence that its device met all of the elements of the patent claims.[1] It relied on the declaration of one its marketing employees, attaching internal product summaries, but provided no product blueprints or engineering diagrams of its call detail recorder. Nor did respondent present any expert testimony. Summary judgment was based on this employee's declaration and judicial speculation notwithstanding the PTO's prior determination and other evidence.

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[1] Under 35 U.S.C. § 282, patent claims are presumed to be valid. *See also Lindemann Maschinenfabrik GmbH v. American Hoist & Derrick Co.*, 730 F.2d 1452, 1458 (1984)(anticipation is a question of fact and requires the disclosure, in a single prior art reference, of each and every element of the claimed invention, arranged as in the claim).

To petitioner's misfortune, the Federal Circuit panel (like the district court) thought it was competent to make assumptions—not found in the evidence, even contradicted by the evidence—about how respondent's earlier product "must have" worked. The judgment was based on the court's erroneous understanding of technical facts.[2]

Petitioner argued to the Federal Circuit that deference should be given the prior determination of the PTO—the administrative agency that has the scientific and technical expertise to decide such matters.

Petitioner further argued that—at the very least—the PTO's prior determination was sufficient to raise "a genuine issue of material fact sufficient to reverse summary judgment."

Subsequent to the briefing, but prior to the Federal Circuit's decision, this Court decided *Dickinson v. Zurko*, 527 U.S. 150, 119 S.Ct. 1816 (1999). In *Dickinson v. Zurko*, this Court held that in an appeal from the denial of a patent application, the Federal Circuit must apply the highly deferential standards of the Administrative Procedure Act[3] when reviewing the PTO's factual determination of a patentability issue. 119 S.Ct. at 1818.

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[2] The Federal Circuit's original opinion recognized that the district court had determined a factual matter—whether the patent claims were anticipated. *See* Appendix p. A-5. The Federal Circuit deferred to the district court's factual determination under a clear error standard of review. When reminded (again) in a rehearing petition that the standard for reviewing summary judgment is *de novo*, the Federal Circuit reworded its opinion to assert that there was no genuine dispute as to the facts. *Id.* p. B-2.

[3] 5 U.S.C. § 706(2)(A), (E) (whether arbitrary, capricious, an abuse of discretion, or unsupported by substantial evidence).

Emphasizing precedent that recognized the PTO's agency expertise to address technically complex subject matter, the Court's decision established the primacy of the PTO's factual determinations concerning patentability—as contrasted with the Federal Circuit's primary reliance on the judiciary's "own reasoning." 119 S.Ct. at 1822; *compare In re Zurko*, 142 F.3d 1447, 1449-1450, 1458 (1998).

Petitioner cited *Dickinson v. Zurko* in a petition for rehearing, but the Federal Circuit never addressed the decision or petitioner's previously briefed contention that deference should have been given to the PTO.

REASONS FOR GRANTING THE PETITION

This case involves high technology telecommunications equipment and methods. The Federal Circuit did not recognize the superior expertise of the PTO to decide scientific and technical facts that determine patentability. The Federal Circuit should reconsider in light of *Dickinson v. Zurko*.

Petitioner filed an amicus brief in *Dickinson v. Zurko*, supporting the government and urging reversal of the Federal Circuit's *In re Zurko* decision. Without deference to the PTO's administrative expertise to decide frequently complex questions of patentability, the patent system is stripped of reliability—destroying the predictability needed to foster invention, investment, and the marketing of new technologies.

Dickinson v. Zurko goes to the fundamentally different roles that the Federal Circuit and the PTO have in administering the patent system. In the context of a direct appeal from a patent prosecution decision, the Court directed the Federal Circuit to give high-level deference to the PTO's factual determinations concerning patentability.

The Federal Circuit should consider whether, and to what extent, deference to the administrative expertise of the PTO to decide technical facts should continue where (as here) patentability issues are raised in subsequent litigation.

As part of that consideration, the Federal Circuit should determine in this case whether—at the very least—the PTO's prior determination was sufficient to raise a genuine issue of material fact sufficient to reverse summary judgment. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249 (1986).

The Federal Circuit should also consider in this case whether administrative deference should inform the judicial construction of patent claims pursuant to *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996), instead of choosing a claim interpretation that is at odds with the PTO's prior determination.

The Federal Circuit never addressed these issues in light of *Dickinson v. Zurko*. Accordingly, petitioner requests grant, vacate, and remand. *See Lords Landing Village v. Continental Insurance Co.*, 520 U.S. 893, 896 (1997).

CONCLUSION

Based on the foregoing, Theis Research respectfully requests that the Court grant this petition, vacate the judgment below, and remand for further consideration in light of the Court's decision in *Dickinson v. Zurko*.

Respectfully submitted,

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Theis Research, Inc.

May 9, 2000

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

United States Court of Appeals for the Federal Circuit

99-1061

OCTEL COMMUNICATIONS CORPORATION,
Plaintiff,
and
NORTHERN TELECOM, INC.,
Plaintiff-Appellee,
and
PACTEL MERIDIAN SYSTEMS, BOSTON TECHNOLOGY, INC. and DIGITAL SOUND CORPORATION,
Plaintiffs,
v.
THEIS RESEARCH, INC.,
Defendant-Appellant,
and
PETER F. THEIS,
Defendant.

DECIDED: November 18, 1999

Before RADER, Circuit Judge, FRIEDMAN and ARCHER, Senior Circuit Judges. PER CURIAM.

DECISION

Theis Research, Inc. (TRI) appeals the September 30, 1998 judgment[1] of the district court finding claims 1 and 14-19 of United States Patent No. 4,559,416 ('416 patent) invalid as anticipated. We affirm.

BACKGROUND

The '416 patent discloses a telephone line activity monitor that is used to monitor and record information indicative of the usage of one or more telephone lines. The '416 patent is owned by Peter Theis and licensed to TRI. TRI has an exclusive license with the right to sublicense and enforce the patent. TRI claims that the SL-1 PBX ACD-MAX option system sold by Northern Telecom, Inc. (NTI) infringes the '416 patent. The SL-1 OBX ACD-MAX option system enables the PBX switch to generate and record certain call processing information for each call (time of call and duration). It also permits an operator at a station to enter a variety of "activity codes" which identify the caller's account, the department to which the call is directed, or the product or service which is the subject of the call.

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[1] The judgment encompasses two orders, Octel Communications Corp. v. Theis Research, Inc., Consolidated Case Nos. C 92-20217 (PVT), C 93-20287 (EAI), C 93-20288 RMW (EAI) (N.D. Cal. Jan. 5, 1994) (granting summary judgment of invalidity as to claims 1 and 19 of the '416 patent) (Octel II), and Octel Communications Corp. v. Theis Research, Inc., No. C-92-20217 RMW (EAI), [C-93-20287 JW (EAI)], [C-93-20288 RMW (PVT)] (N.D. Cal. Sept. 29, 1998) (granting motion for partial summary judgment of invalidity as to claims 14-18 and denying motion for reconsideration as to invalidity of claims 1 and 19) (Octel III).

The '416 patent is one of six patents originally asserted by TRI in this action. The other five patents were addressed by the prior appeal, Octel Communications Corp. v. Theis Research, Inc., 132 F.3d 51 (Fed. Cir. 1997) (table) (Octel I). The '416 patent, which was only asserted against NTI, was severed from the trial on the other patents. Prior to the severance, however, NTI moved for summary judgment of invalidity of claims 1 and 14-19 of the '416 patent as being anticipated by NTI's SL-1 Multiport Call Detail Recording (CDR) system, which provided many of the call data generation and recording functions of the accused SL-1 PBX ACD-MAX option.

The district court granted NTI's motion with respect to claims 1 and 19, but found that an issue of fact existed with respect to the construction of claims 14-18, and denied summary judgment as to those claims. See Octel II, slip op. at 19. All proceedings as to the '416 patent were then stayed pending resolution of the issues surrounding the remaining five patents. Following this court's decision in Octel I, NTI sought reconsideration of the district court's denial of summary judgment as to the invalidity of claims 14-18, and TRI requested reconsideration of the district court's summary judgment of invalidity as to claims 1 and 19.

On reconsideration, the district court granted NTI's motion for reconsideration and found claims 14-18 were invalid as anticipated, and denied TRI's motion as to the invalidity of claims 1 and 19. See Octel III, slip op. at 19. This appeal followed.

DISCUSSION

I.

This court reviews a district court's grant of summary judgment by reapplying the standard applicable at the district court. See Conroy v. Reebok Int'l. Ltd., 14 F.3d 1570,

1575, 29 USPQ2d 1373, 1377 (Fed. Cir. 1994). Summary judgment is appropriate only when "there is no genuine issue as to any material fact and . . . the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). In its review, this court draws all reasonable inferences in favor of the non-movant. See Anderson v. LibertyLobby, Inc., 477 U.S. 242, 255 (1986).

II.

TRI argues that the district court improperly construed "line activity monitor" in claims 1 and 19 because it misunderstood dependent claims 2, 5, 7, 20 and 21. Claim construction is a question of law which we review de novo. See Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1456, 46 USPQ2d 1169,1174 (Fed. Cir. 1998) (en banc).

In Octel III, the district court construed the limitation "a line activity monitor coupled to the telephone line to record information indicative of usage of the telephone line" in claims 1 and 19 to mean:

> [a]n apparatus for monitoring activity or information indicative of how the telephone line is being used. All types of line activity or modes of line use need not be monitored and recorded, so long as at least some information indicative of usage is recorded.

Id., slip op. at 12.

The court determined the key issue to be "whether the claimed line activity monitor must be capable of monitoring all five basic line states, identified in the '416 patent preferred embodiment description as IDLE, RING, INTER-RING, SERVICED and ON HOLD." Octel III, slip op. at 8-9. The court concluded, "[i]n light of the limitation of dependent claims 5, 7 and 21 requiring only at least two states, . . . that the line activity monitor in [independent claims 1 and 19] need not be capable of monitoring all five basic line states." Id. at 11. The court also noted that the language of claims 2

and 20 supported its construction of claims 1 and 19. We agree. Independent claims 1 and 19 cannot be construed to require the monitoring of more line states than is required by the various dependent claims.

TRI also argues that the district court erred by finding that the CDR is coupled to the telephone line. Anticipation is a question of fact, and the district court's findings are reviewed for clear error. See Hoover Group, Inc. v. Metalcraft, Inc., 66 F.3d 299, 302, 36 USPQ2d 1101, 1103 (Fed. Cir. 1995).

The district court noted that TRI failed to show "that to be 'coupled to a telephone line' there must be the exact telephone line cards described in the preferred embodiment description." Octel III, slip op. at 14. The court noted further that TRI acknowledged in its reconsideration motion that the "CDR records a normal record for each . . . call," and concluded that the CDR was "coupled to the telephone line." Id. We cannot say that the district court committed clear error in making its finding.

We have considered all of TRI's arguments and find no reason to reverse the district court. Because the district court performed a thorough and correct analysis of the facts and arguments raised, we affirm.

CONCLUSION

The judgment of the district court is therefore affirmed.

United States Court of Appeals for the Federal Circuit

99-1061

OCTEL COMMUNICATIONS CORPORATION,
Plaintiff,
and
NORTHERN TELECOM, INC.,
Plaintiff-Appellee,
and
PACTEL MERIDIAN SYSTEMS, BOSTON TECHNOLOGY, INC. and DIGITAL SOUND CORPORATION,
Plaintiffs,
v.
THEIS RESEARCH, INC.,
Defendant-Appellant,
and
PETER F. THEIS,
Defendant.

ORDER

A combined petition for rehearing and petition for rehearing en banc having been filed by the APPELLANT, and a response thereto having been invited by the court and filed by the APPELLEE, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, GRANTED ONLY TO MAKE THE LANGUAGE CHANGES ATTACHED, and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on February 16, 2000.

FOR THE COURT,
/s/
Jan Horbaly
Clerk

Dated: February 9, 2000

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
Feb - 9 2000
JAN HORBALY
CLERK

cc: Paul R. Johnson
Richard S. Clark

OCTEL COMM CORP V THEIS RESEARCH, 99-1061
(DCT - 92-CV-20217)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

OCTEL V. THEIS RESEARCH; #99-1061

The petition for rehearing is granted only to make the following language changes to the opinion issued on November 18, 1999:

Page 5, lines 6-8: Delete "and the district court's findings are reviewed for clear error."

Page 5, lines 14-15: Replace "committed clear error in making its-findings" with "erred, and on the record before us we discern no genuine dispute as to the facts."

FILED
SEP 2 0 1998
RICHARD W. WIEKING
CLERK, U.S DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

OCTEL COMMUNICATIONS CORPORATION, a Delaware corporation; NORTHERN TELECOM, INC., a Delaware corporation,

Plaintiffs,

v.

THEIS RESEARCH, INC., an Illinois corporation, and PETER F. THEIS, an individual,

Defendants.

AND RELATED CONSOLIDATED COUNTERCLAIMS

NO. C-92-20217 RMW (EAI)
[C-93-20287 JW (EAI)]
[C-93-20288 RMW (PVT)]

JUDGMENT OF INVALIDITY OF '416 PATENT

On September 29, 1998 the court issued its order finding that the claims of U.S. Patent 4,559,416 '416 patent") at issue in this case are invalid as anticipated. Therefore,

IT IS HEREBY DECLARED that claims 1 and 14-19 of the '416 patent are invalid.

IT IS FURTHER ORDERED that defendants take nothing by way of their claims of

Infringement by Northern Telecom, Inc. of claims 1 and 14-19 of the '416 patent.

DATED: 9/30/98

/s/
RONALD M. WHYTE
United States District Judge

FILED
JAN 5 1994
RICHARD W. WIEKING
CLERK, U.S DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

OCTEL COMMUNICATIONS CORPOR-ATION, NORTHERN TELECOM, INC., and BOSTON TECHNOLOGY, INC.,

Plaintiffs,

v.

THEIS RESEARCH, INC.,

Defendants.

AND RELATED COUNTERCLAIMS

Consolidated Case Nos.
C 92-20217 (PVT)
C 93-20287 (EAI)
C 93-20288 RMW (EAI)

ORDER DENYING NORTHERN TELECOM INC.'S MOTION FOR PARTIAL SUMMARY ADJUDICATION OF INVALIDITY AND UNENFORCEABILITY OF THE '647 PATENT, THE '436 PATENT, AND THE '817 PATENT AND NORTHERN TELECOM INC.'S MOTION FOR SUMMARY ADJUDICATION OF INVALIDITY OF THE '416 PATENT

The motion of plaintiff Northern Telecom, Inc. ("NTI") for partial summary judgment of invalidity and unenforceability of U.S. Patent No. 4,719,647 (the "'647 patent"), U.S. Patent No. 4,539,436 (the "'436 patent"), and U.S. Patent No. 4,692,817 (the "'817 patent") and Northern Telecom, Inc.'s motion for summary judgment of invalidity of U.S. Patent No. 4,559,416 (the "'416 patent") was heard on November 12, 1993. The court has read the moving and responding papers and heard the oral argument of counsel. Good cause appearing therefor, the court denies NTI's notion for partial summary judgment of invalidity and unenforceability of the '647 patent, the '436 patent, and the '817.patent and NTI's motion for summary judgment of invalidity of the '416 patent. I. BACKGROUND This suit involves the infringement, validity and enforceability of six patents owned by Peter Theis and licensed to Theis Research, Inc..("TRI"). The 1647, 1436, 1817, and 1416 patents are the only patents at issue in this motion. TRI is a company engaged in the research, development, and licensing of new voice processing technologies. TRI has an exclusive license, with right to sublicense and enforce the patents in suit. In May 1991, TRI offered to license the patents in suit to Octel Communications Corporation ("Octel"). On March 27, 1992 one of Octel's customers, Ameritech, wrote to Octel concerning a threatened patent infringement claim by TRI against Ameritech. On April 8, 1992, Octel and Tigon filed suit for declaratory relief seeking a judgment that Octel and its customers did not infringe three of TRI's patents. On November 6, 1992 TRI counterclaimed against Octel, Northern Telecom Inc. ("NTI"), and Boston Technologies Inc. ("BTI") for infringement, contributory infringement, and inducement of infringement. On April 23, 1993 NTI and BTI brought suit for declaratory judgment that it has not infringed TRI's patents. On June 2, 1993 TRI answered and counterclaimed against NTI and BTI. On June 4, 1993 the three suits for declaratory judgment were consolidated. NTI has filed a partial summary judgment motion for invalidity

and unenforceability of the 1647 patent, the '436 patent, the '817 patent and summary judgment for invalidity of the '416 patent.

II. LEGAL STANDARD

A. Summary Judgment

Under Fed. R. Civ. Pro. 56(c), summary judgment is proper "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law. The entry of summary judgment is mandated, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial. Celotex Corp. v. Catrett, 477 U.S. 317, 322, 106 S. Ct. 2548, 2552 (1986). This court, however, must draw all justifiable inferences in favor of the nonmoving parties, including questions of credibility and of the weight to be accorded particular evidence. Masson v. New Yorker Magazine, Inc. __U.S.__, Ill S. Ct. 2419, 2435 (1991). This court will consider plaintiff's motion with these standards in mind.

B. Invalidity

1. Statutory Bar - 102(b)

i) Anticipation

Section 102(b) of Title 35 bars entitlement to a patent when:

> (b) the invention was... in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States....

To make a finding of anticipation on summary judgment, the court must determine that no facts material to the question are disputed; or that even if all material factual inferences are drawn in favor of the non-movant, there is no reasonable basis on which the non-movant can prevail. Cooper v. Ford Motor Co., 748 F.2d 677, 679 (Fed. Cir. 1984). Invalidity by anticipation requires that "all of the elements and limitations of the claim -are found within a single prior art reference (citations omitted). There must be no difference between the claimed invention and the reference disclosure, as viewed by a person of ordinary skill in the field of the invention." Scripps Clinic & Research Found. v. Genentech, Inc., 927 F.2d 1565, 1576 (Fed. Cir. 1991). Finally, the evidence of the moving party must be measured against the relevant standard'of proof at trial, clear and convincing evidence. Id.

ii. On Sale Bar

The on sale bar encourages prompt and widespread disclosure of inventions, discourages the removal of inventions from the public domain that the public has reasonably come to believe are freely available, allows the inventor a reasonable amount of time following sales activity to determine the potential economic value of a patent, and prohibits the inventor from commercially exploiting his or her invention beyond the statutorily prescribed time. Envirotech Corp. v. Westech Engineering, Inc., 904 F.2d 1571, 1574 (Fed. Cir. 1990). Because the policies behind the on sale bar, in effect, define it, the totality of the circumstances must always be considered in order to ascertain whether an offer of a new invention was in fact

made. Id. (no single conclusion or finding is a sine aua non to resolution of this issue).

Whether an invention is on sale is a question of law. Id. The party asserting the on sale bar must prove by clear and convincing evidence-that there was a definite sale or offer to sell more than one year before the application for the subject patent, and that the subject matter of the sale or offer fully anticipated the claimed invention or would have rendered the claimed invention obvious by its addition to the prior art. Id. Reduction to practice of the claimed invention is not an absolute requirement of the on sale bar. UMC Electronics Co. v. U.S., 816 F.2d 647, 656 (Fed. Cir. 1987).

C. Unenforceability

The doctrine of inequitable conduct requires a two-step analysis. Halliburton Co. v. Schlumberger Technology Corp., 925 F.2d 1435, 1439 (Fed. Cir. 1991). The court must first determine whether information withheld from the patent examiner satisfies a threshold level of materiality and whether the applicant's conduct satisfies a threshold showing of intent to mislead the Patent and Trademark Office. Id. Assuming that this court makes these threshold findings, the materiality of the omissions must then be weighed against the intent of the applicant. The more material the omission, the less culpable the intent required. Id.

Because of the evaluation of evidence required to determine inequitable conduct, this issue is rarely proper for summary adjudication. Paragon Podiatry Laboratory, Inc. v. KLM Laboratories, Inc., 984 F.2d 1182, 1190 (Fed. Cir. 1993). To satisfy the intent to deceive element of inequitable conduct, the conduct involved, viewed in light of all the evidence, including evidence of good faith, must indicate sufficient culpability to require a finding of intent to deceive. Id. at 1189. However, "smoking gun" evidence is not

required in order to establish intent to deceive. Id. ("intent need not, and rarely can, be "Proven by direct evidence.")

III. The '436 Patent

* * *

II. [sic] '817 Patent

* * *

IV. The '416 patent

A. Background

The '416 patent was issued on December 17, 1985. TRI claims that claims 1, 14-19 are infringed by NTI's system. Claim 1 is representative:

> 1. An apparatus for monitoring line activity on at least one telephone line which carries incoming telephone calls from a calling party to a called party said apparatus comprising:
>
> a called party answering system comprising an operator station for servicing incoming calls on the telephone line, said operator station comprising means for transmitting voice messages between the telephone line and a called party operator;
>
> a line activity monitor coupled to the telephone line to record information indicative of usage of the telephone line;
>
> a signaling device, included in the called party answering system, for generating a

plurality of called party selected coded signals following receipt of respective incoming calls on the telephone line, each of said coded signals indicative of coded information selected by the called party to be associated with respective incoming calls in order to classify the incoming calls;

means for supplying the coded signals as inputs to the monitor; and

means, included in the monitor, for associating said coded signals with respective calls such that the monitor is responsive to the coded signals and said recorded information varies in accordance with the coded signals.

Claims 14-19 call for coded signals and their input into the system such that the recorded information will vary according to the coded signal for each call.

NTI's SL-1 PBX ACD-MAX enables the PBX switch to generate and record certain call processing information for each call. (time of call and duration). It also permits an operator at a station to enter a variety of "activity codes" to identify the caller's account, the department to which the call is directed, or the product or service which is the subject of the call.

B. Invalidity

NTI claims that the '416 patent was anticipated by NTI's SL-1 PBX CDR system which provided many of the call data generation and recording functions of the accused Sl-1 PBX ACD-MAX system. The SL-1 CDR system has been sold by NTI at least since 1980, over one year prior to the October 13, 1983 filing date of the 1416 patent. NTI contends that the CDR system, like the allegedly infringing ACD-MAX system 1) provides for multiple called party operator stations

2) automatically recorded, for each incoming call, the date and time of call start or end and the call duration and 3) had a "Charge Account" feature that permitted the operator to enter a numerical code for each incoming call in order to classify each call for a variety of purposes.

TRI counters that 1) claims 1 and 19 are not anticipated because the CDR product's apparatus claims do not disclose a line activity monitor to record line traffic information indicative of telephone line usage and 2) claims 14-18 are not anticipated because of the total failure of any competent proof that anyone used the '416 method for automatically associating coded information with traffic parameters while servicing the incoming calls. TRI argues that there is no competent proof to bolster the allegations concerning claims 14-18 because 1) the employee's declaration that customers used the method of the '416 patent is hearsay 2) the CDR product did not allow the user to modify line activity data by operator coded inputs while the call is being "serviced" and 3) the Charge Account feature of the CDR product merely charged a particular account with the call and did not categorize the call according to the caller's purpose or the nature of the call.

The apparatus claims 1 and 19 include the limitation of "a -Line activity monitor" coupled to a telephone line to record information "indicative of usage of the telephone line." The '416 patent can monitor the total number of calls on the line, the total number of unanswered calls, the total number of calls abandoned by a caller while on hold, and the total number of calls for predetermined time intervals. TRI contends that the CDR system does not include a "line activity monitor" because the CDR product monitors line "states" only after the incoming call is answered while the '416 system tracks and records line usage prior to as well as after a call is answered. TRI argues that the CDR product

does not anticipate the '416 system because it tracks only one of the five activities that the '416 system tracks.

TRI's claims must be construed the same for purposes of determining infringement as for determining validity. Dominion Magnesium Limited v. United States, 320 F.2d 388, 395 (Ct. Cl. 1963). Magistrate Judge Infante required the parties in this action to exchange and explain their respective contentions. For the claim element "a line activity monitor coupled to the telephone line to record information indicative of usage of the telephone line", TRI stated:

> The Northern Telecom meridian SL-1 PBX ACD-MAX option as used and/or sold by the counterdefendants includes a monitor to record the basic activity on the line .... The Summarized ACD-DN Performance Report shown on page 15 of the document titled Management Reports Package shows: number of calls answered; average talk time per call.

The CDR also recorded, for each call, the time it was answered, and the time it was terminated. TRI is urging one construction of line activity for purposes of infringement (number of calls and average talk time per call is enough) and one for purposes of validity (number of calls and average talk time per call is not enough.)

TRI argues that the only evidence that anyone used the methods of claims 16, 17, and 18 is "raw hearsay." Here, TRI is wrong. The so-called hearsay evidence includes deposition testimony from an NTI employee who testified from personal knowledge that NTI developed the charge account feature (CDR charge) that methods claims 16, 17, and 18 disclose, that the feature was specifically designed by NTI to permit the entry of codes to classify or categorize calls, and that

customers ordered the feature and paid for it before the critical date. She specifically mentioned by name a large San Francisco law firm that had placed an order and offered to "dig up the number of customers that ordered and received CDR charge from 1979 to the present day". During the deposition, she was asked whether her testimony that customers requested and paid for this feature was based on "what anybody had told her" and she stated it was not.

It is clear that Ms. Mitchell testified from personal knowledge. Moreover, the testimony that orders were placed for the charge account feature prior to the critical date is not hearsay because it is not being offered for the truth of the matter asserted but for the operativia fact that a sale of this feature was made. Ries Biologicals. Inc. v. Bank of Santa Fe, 780 F.2d 88 8, 890 (10th Cir. 1986) (statements offered not for their truth or falsity, but for the fact that they were made, are for a non-hearsay purpose.)

TRI also argues that the CDR system cannot meet the limitation of Claim 14 because the CDR system requires the calling party to be placed "on hold" for a brief period while the called party enters the coded number to classify the call. TRI asserts that the method steps of claim 14 must be performed while servicing a call at the operator station. NTI counters that nowhere does claim 14 require that anything be done "while" the call is being serviced. NTI argues that even if the missing words are implied, there is no reason why "while servicing the call" cannot include a brief "on hold" during the servicing. However, this argument fails because Table 1, col. 8 of the '416 patent of the '416 patent defines "serviced" as "line off hook and not on hold." Moreover, the specification at Col. 7, line 17-30 clearly contemplates "line off hook not on hold":

> It should be understood that the present invention is not limited to the details of the

> preferred embodiment described above. For example, the coded signals can be sent by dial pulse recognition techniques rather than Touch-Tone techniques. Furthermore, a separate signaling system can be used to communicate the coded signals from the operator station to the line activity monitor, without relying on the telephone lines. Alternately, when the line is used for tone signaling in the manner described above, acoustical filters can be connected. between the outside party and the line activity monitor to filter out specific tones and combinations of tones used to carry the coded signals so that an outside party does not hear the coded signals. Similarly, a tone encoding system can be used for the coded information which is in a higher acoustical range than that carried by conventional telephone equipment.

None of these alternatives would be necessary if the caller were on hold. The limitation "for servicing calls" in claim 14 may be interpreted to mean "line off hook not on hold." Since the CDR system requires the-caller to be "on hold" while the signal is sent, it may not meet the limitation in claim 14. Accordingly, NTI's motion for summary judgment on the invalidity of the 1416 patent is denied on independent claim 14 and dependent claims 15-18 and granted on claims 1 and 19. See: Palumbo-v. Don-Joy Co., 762 F.2d 969, 974 (Fed. Cir. 1985) (". . .when the meaning of a term in a claim is disputed and extrinsic evidence is necessary to explain that term, then an underlying factual question arises, and construction of the claim should be left to the trier or jury under appropriate instruction.")

IV. The '641 Patent

* * *

DATED: 1/5/94

/s/
RONALD M. WHYTE
United States District Judge

FILED
SEP 2 9 1998
RICHARD W. WIEKING
CLERK, U.S DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

OCTEL COMMUNICATIONS CORPORATION, a Delaware corporation; NORTHERN TELECOM, INC., a Delaware corporation,

Plaintiffs,

v.

THEIS RESEARCH, INC., an Illinois corporation, and PETER F. THEIS, an individual,

Defendants.

AND RELATED CONSOLIDATED COUNTERCLAIMS

NO. C-92-20217 RMW (EAI)
[C-93-20287 JW (EAI)]
[C-93-20288 RMW (PVT)]

ORDER GRANTING PLAINTIFF NTI'S MOTION FOR RECONSIDERATION OF JANUARY 5, 1994 SUMMARY JUDGMENT ORDER AND DENYING DEFENDANT TRI'S MOTION OF RECONSIDERATION

Plaintiff Northern Telecom, Inc.'s ("NTI's") motion for reconsideration of the court's January 5, 1994 summary judgment order ("Order") with respect to the invalidity of claims 14 through 18 of U.S. Patent No. 4,559,416 (the "'416 patent") and the motion for reconsideration of defendants Theis Research, Inc. and Peter F. Theis (collectively "TRI") of the Order[1] with respect to the invalidity of claims 1 and 19 of the '416 patent were heard on February 27, 1998.[2] The

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[1] In its reconsideration motion filed on February 3, 1998, TRI purports to move for reconsideration of the Order as well as for summary judgment of no anticipation by the CDR product for the reasons stated in TRI's Motion for Leave to Move for Reconsideration. The court in its January 6, 1997 order only granted TRI's motion for leave to file a motion for reconsideration. TRI's request for leave to file a summary judgment motion was not granted. Since leave was not granted, only TRI's reconsideration motion is properly before the court. In any event, TRI's motion would have been denied.

TRI also moves pursuant to Federal Rule of Civil Procedure 56(f) for an order postponing and continuing the hearing on the reconsideration motion. This motion is not properly asserted in response to a reconsideration motion and is therefore denied.

[2] The court granted TRI's motion for leave to move for reconsideration on January 6, 1997. The original date of the hearing on this motion was February 6, 1998. TRI did not file its reconsideration motion until four days prior to the hearing. The motion merely incorporated by reference the arguments made in its motion for leave to move for reconsideration. NTI filed an opposition on February 4, 1998, although it objected to the lack of notice and "reserve[d] the right to file a supplemental and still timely response." Pursuant to Civil Local Rule 7-9(d), no response needs to be

court has read the moving and responding papers and heard the argument of counsel. For the reasons set forth below, the court grants NTI's motion and denies TRI's motion.

I. BACKGROUND

A. Description of Invention Covered by '416 Patent

The purported invention of the '416 patent is "an improved line activity monitor for monitoring and recording information indicative of the usage of one or more telephone lines." '416 patent, col. 1, 11. 5-8. The monitors are used to log line usage information concerning calls. The information recorded by the monitor about the calls serviced by operators permit summary reports to be generated for a variety of management purposes.

The line monitor disclosed in the '416 patent purports to have three advantages over previous, disclosed monitors. First, more complete information relating to the usage of the telephone line is recorded on a call-by-call basis, as opposed to merely recording summary figures. This feature is said to provide a monitor with increased flexibility. Second, a monitor is provided which responds to coded signals generated by an operator in response to the nature of an incoming call. These coded signals can then be used in processing the usage information associated with that call. For example, the operator can enter a first code when an incoming call is a credit inquiry, and a second, different code when the incoming call is a merchandise inquiry. The third purported advantage is that an improved monitor is provided which distinguishes between the presence and absence of

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filed, and not hearing shall be held unless otherwise ordered by the court. As a result of TRI's tardy filing, the court moved the hearing on the reconsideration motions to February 27, 1998. The court finds that no additional briefing is necessary.

voice signals on a line which is being serviced. This allows a more detailed analysis of usage patterns of the telephone line. For example, if an operator has the habit of merely placing a receiver on a desk rather than placing the line on hold, such constructive on-hold time will be recognized for what it is, and distinguished from time in which communications are being carried by the telephone line. See '416 patent, col. 2,11. 7-51.

The '416 patent was issued on December 17, 1985. Claim 1 is representative:

> 1. An apparatus for monitoring line activity on at least one telephone line which carries incoming telephone calls from a calling party to a called party, said apparatus comprising:
>
> a called party answering system comprising an operator station for servicing incoming calls on the telephone line, said operator station comprising means for transmitting voice messages between the telephone line and a called party operator; a line activity monitor coupled to the telephone line to record information indicative of usage of the telephone line;
>
> a signaling device, included in the called party answering system, for generating a plurality of called party selected code signals following receipt of respective incoming calls on the telephone line, each of said coded signals indicative of coded information selected by the called party to be associated with respective incoming calls in order to classify the incoming calls;

means for supplying the coded signals as inputs to the monitor; and

means, included in the monitor, for associating said coded signals with respective calls such that the monitor is responsive to the coded signals and said recorded information varies in accordance with the coded signals.

Claims 14 through 19 call for coded signals and their input into the system such that the recorded information will vary according to the coded signal for each call.

B. NTI's Allegedly Infringing Product and Prior Art

TRI contends that apparatus claims 1 and 19 and method claims 14 through 18 of the patent are infringed by NTI's SL-1 PBX ACD-MAX option system. NTI's SL-1 PBX ACD-MAX option enables the PBX switch to generate and record certain call processing information for each call (time of call and duration). It also permits an operator at a station to enter a variety of "activity codes" which identify the caller's account, the department to which the call is directed, or the product or service which is the subject of the call.

The call data generation and recording functions of the accused SL-1 PBX ACD-MAX option were provided for at least in part by NTI's SL-1 Multiport Call Detail Recording ("CDR") system. The CDR system automatically recorded for each incoming call the date and time of call start or call end and the call duration. The s-stem also had a "Charae Account" feature, which permitted the operator at each station to enter a numerical code for each incoming call in order to classify the call. NTI has sold the CDR system since 1980, over one year prior to the issuance of TRI's '416 patent.

C. Procedural History

On November 12, 1993, the court heard argument on NTI's summary judgment motion on the invalidity of the claims at issue in the '416 patent. The court entered its Order denying the motion on January 5, 1994. In doing so, the court found that claims 1 and 19 were anticipated by the CDR system but that there was an issue of fact as to whether independent claim 14 and dependent claims 15 through 18 were anticipated.

After the motion was denied, all matters regarding the '416 patent were stayed pending other trials in the case which did not involve the '416 patent or from which the '416 patent was severed. After the stay was lifted, the court granted NTI leave to file a motion for reconsideration of the Order with respect to the invalidity of claims 14 through 18 and granted TRI's request for leave to file a motion for reconsideration as to the finding that claims 1 and 19 are anticipated. See Order on NTI's Motion for Reconsideration of Validity of Claims 14-18 of the '416 Patent and on TRI's Request for Leave to Move for Reconsideration of the Court's Order that Claims 1 and 19 of the '416 Patent are Anticipated filed on January 6, 1997. The court now addresses these motions.

II. Legal Standard

Section 102(b) of Title 35 bars entitlement to a patent when "the invention was ... in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." A claim in a patent is invalid for anticipation under § 102(b) if all of the elements and limitations of the claim are found within a single prior art reference. See Scripps Clinic & Research Fdn. v. Genentech. Inc., 927 F.2d 1565, 1575 (Fed. Cir. 1991). There must be no difference between the claimed

invention and the reference disclosure, as viewed by a person of ordinary skill in the field of the invention. Id.

In deciding the issue of anticipation, the court. must identify the elements of the claims, determine their meaning in light of the specification and prosecution history, and identify corresponding elements disclosed in the allegedly anticipating reference. Lindemann Maschinenfabrik v. Am. Hoist and Derrick, 730 F.2d 1452, 1458 (Fed. Cir. 1984).

Anticipation is a question of fact. Scripps Clinic, 927 F.2d at 1577. To make a finding of anticipation on summary judgment, the court must determine that no facts material to the question are disputed; or that even if all material factual inferences are drawn in favor of the nonmoving party, there is no reasonable basis on which that party can prevail. Id. (citing Cooper v. Ford Motor Co., 748 F.2d 677, 679 (Fed. Cir. 1984)).

III. TRI's Motion for Reconsideration

TRI moves for reconsideration of the court's finding that claims 1 and 19 of the '416 patent are anticipated by the CDR product.

A. Summary Judgment Motion

In opposition to NTI's summary judgment motion, TRI argued that the claims were not anticipated by the CDR product because the product does not disclose a line activity monitor to record line traffic information indicative of telephone line usage. The court rejected this argument, finding that TRI was urging one construction of line activity for purposes of infringement (number of calls and average talk time per call is enough) and one for purposes of validity (number of calls and average talk time per call is not enough):

> TRI claims must be construed the same for purposes of determining infringement as for determining validity. Dominion Magnesium Limited v. United States, 320 F.2d 388, 395 (Ct. Cl. 1963). Magistrate Judge Infante required the parties in this action to exchange and explain their respective contentions. For the claim element "a line activity monitor coupled to the telephone line to record information indicative of usage of the telephone line," TRI stated:
>
> > The Northern Telecom Meridian SL-1 PBX ACD-MAX optin as used and/or sold by the counterdefendants includes a monitor to record the basic activity on the line . . . . The Summarized ACD-DN Performance Report shown on page 15 of the document titled Management Reports Package shows: number of calls answers; average talk time per call.
>
> The CDR also recorded, for each call, the time it was answers, and the time it was terminated.

See Order at 16:23-17:8.

TRI argues that the court should reconsider its Order and find that claims 1 and 19 are not anticipated because: (1) the claims at issue should have been defined and limted by the specifications, prosecution history, prior art and expert testimony, not by TRI's non-binding preliminary infringement contentions; and (2) NTI failed to provide evidence that the CDR system discloses a "line activity monitor" as well as two additional elements: "at least one telephone line which carries incoming telephone calls from a

calling party to a called party" and a monitor "coupled to the telephone line."

With respect to its first argument, TRI explains that because it filed its preliminary infringement contentions before any discovery had been conducted on the question of infringement, the parties agreed that the preliminary contentions were non-binding. See Defendants' Motion for Leave to Move for Reconsideration of the Court's Order that Claims 1 and 19 of the '416 Patent Are Anticipated and for Leave to Move for Summary Judgment of No

Anticipation ("TRI's Motion for Leave") Ex. D (Plaintiffs' Statement of Contentions Concerning Invalidity and Unenforceability). Additionally, TRI points out that it stated in if infringement contentions that a complete analysis would be made possible only after sufficient discover was completed. See id. Ex. C.

TRI also asserts that it is not urging one claim construction for purposes of infringement and a different construction for purposes of validity. TRI claims that in its infringement contentions, it simply set forth a description of the ACD device as presented in an example of a summarized report (the Management Reports Package) generated by the ACD device. TRI contends that the court improperly adopted this example as the interpretation of a "line activity monitor," rather than construing the claims in light of the more detailed definition set forth in the specification, prosecution history, prior art and expert testimony. Thus, TRI contends that it has not sought a claim construction inconsistent with that set forth in the claims and specification of the '416 patent.

In issuing its previous Order, the court essentially found that TRI was estopped from claiming one interpretation of the claims for invalidity, where it had urged another interpretation for infringement purposes. The court still finds

that TRI may be estopped from claiming different interpretations.[3] However, because meaning of the claims was never construed based on the claims, the specification and prosecution history, the court finds that the claims should be first construed in light of this information and that the resulting construction should apply throughout the litigation. Therefore, once the claim is construed here for validity purposes, the same construction must apply to TRI's infringement contentions. See Dominion Magnesium Ltd. v. United States, 320 F.2d 388, 195 (Ct. Cl. 1963) ("[T]he claims cannot be construed narrowly, by reference to drawings and specifications, in order to escape anticipation, and then, disregarding this same principle, broadly construed in order to spell out infringement.") (citing Wire Tie Machinery Co. v. Pacific Box Corp., 107 F.2d 54, 55 (9th Cir. 1939)).

B. Construction of Claims 1 and 19

It is now well settled that claim. construction is a question of law to be decided by the court. See Markman v. Westview Instruments. Inc., 52 F.3d 967, 979 (Fed. Cir. 1995) (en banc), aff'd, 116 S. Ct. 1384 (1996). In interpreting an asserted claim, the court should look first to the intrinsic evidence, consisting of "the patent itself, including the claims, the specification and, if in evidence, the prosecution history. "Vitronics Corp. v. Conceptronic. Inc., 90 F.3d 1576, 1582 (Fed. Cir. 1996) (citing Markman, 52 F.2d at 979). Such intrinsic evid ence is the most significant source of the legally operative meaning of disputed claim language. Id. Moreover, the claims should be construed as one skilled in

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[3] As pointed out by NTI, TRI never altered its infringement contention prior to its motion for reconsideration and one would expect that a patent holder's interpretation of a claim would not change depending upon what he learned about the accused product.

the art would construe them. SmithKline Diaenostics v. Helena Laboratories, Corp., 859 F.2d 878, 882 (Fed. Cir. 1988).

The claims of a patent provide the concise formal definition of the invention. E.I. DuPont De Nemours & Co. v. Phillips Petro., 849 F.2d 1430, 1433 (Fed. Cir. 1988) (citing Autogiro Co. of America v. United States, 384 F.2d 391, 395 (Ct. Cl. 1967)). Courts cannot alter what the patentee has chosen to claim as his invention. See SSIH Equip, S.A. v. U.S. Int'l Trade Comm., 718 F.2d 365, 378 (Fed. Cir. 1983). Extraneous limitations appearing in the specifications should not be read into a claim. See DuPont, 49 F.2d at 1433. See also Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 867 (Fed. Cir. 1985) ("Generally, particular limitations or embodiments appearing in the specifications will not be read into the claims."). "Extraneous" refers to a limitation read into a claim from the specification wholly apart from any need to interpret what the patentee meant by particular words or phrases in the claim. DuPont, 849 F.2d at 1433. "Where a specification does not require a limitation, that limitation should not be read from the specification into the claims." Specialty Composites v. Cabot Corp., 845 F.2d 981, 987 (Fed. Cir. 1988) (emphasis in original). It is not proper to include elements not mentioned in the claim in order to limit such claim and avoid a defense of anticipation. See DuPont, 849 F.2d at 1433-34 (citing United States v. Adams, 86 S. Ct. 708 (1966)).

In those cases where the intrinsic evidence unambiguously describes the scope of the patent, reliance on extrinsic evidence is improper. In such situations, extrinsic evidence, such as expert testimony, may not be used to interpret the claim language. Vitronics, 90 F.3d at 1584.

Here, the parties dispute the construction of the limitation "a line activity monitor coupled to the telephone line to

record information indicative of usage of the telephone line." The key issue is whether the claimed line activity monitor must be capable of monitoring all five basic line states, identified in the '416 patent preferred embodiment description as IDLE, RING, INTER-RING, SERVICED and ON HOLD. See '416 patent, col. 5, fl. 10- 13. IDLE corresponds to "no activity on telephone line, i.e. the line is on hook and the line is not ringing nor it is between rings." Id. at 11. 19-22. The RING state corresponds to "the presence of a ring signal on the telephone line, as generated by the central switching station." Id. at 11. 22-24. The INTER-RING state corresponds to the period between rings. Id., at 11. 24-25. The SERVICED state corresponds to "the line off hook and not on hold." Id. at 25-27. The SERVICED state includes two additional states, VOICE in the presence of voice signals detected on the telephone line and NO-VOICE in the absence of voice signals. Id. at 11. 27-30. ON HOLD means the telephone line is "off hook and placed on hold." Id. at 11. 30-33.

In support of its argument that the claimed line activity monitor must be capable of monitoring all five line states, TRI cites to column 1, lines 5 through 8, of the '416 patent, which describes the background of the invention, stating that "the present invention is directed toward an improved line activity monitor for monitoring and recording information indicative of the usage of one or more telephone lines." The specification then explains that a variety of telephone line activity monitors are known in the prior art and gives the example of the monitor disclosed in TRI's previous U.S. Patent No. 4,270,024 ("'024 patent"), which operates "to record information which summarizes important aspects of the usage patterns of a set of telephone lines. For example, the disclosed monitor stores information related to the total number of calls on a line, the total number of unanswered calls, the total number of outgoing calls, the total number of calls abandoned by a caller while on hold, and the total

number of calls serviced for predetermined time intervals, and so forth." See '416 patent, col. 1, 11. 8-22. TRI argues that because the '416 patent was directed toward an improved line activity monitor, the CDR must at least include a line monitor as claimed in the '024 patent to anticipate claims 1 and 19 of the '416 patent.[4]

NTI recognizes that the '416 patent specification discloses an embodiment capable of monitoring the five "basic" states and the two "component states" (VOICE and NO-VOICE), but points out that the specification clearly states that:

> It should be understood that the present invention should not be limited to the details of the preferred embodiment described above.
>
> * * *
>
> Of course, it should be understood that a wide range of changes and modifications to the preferred embodiments described above will be apparent to those skilled in the art. For example, the coded signal feature of the invention described above can be used in conjunction with other types of line activity monitors, such as that described in U.S. Pat.

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[4] TRI actually states in its motion for leave to move for reconsideration that because the '416 patent was directed toward an improved line activity monitor, "in order to anticipate claims 1 and 19, the CDR must at least include a line monitor as claimed in the '416 patent." See TRI's Motion for Leave at 8:8-10. This reference to the '416 patent appears to be a typographical error. In the context of the paragraph, the court assumes that TRI meant to reference the '024 patent in the sentence.

> No. 4,270,024. It is therefore intended that the foregoing detailed description be regarded as illustrative rather than limiting, and that it be understood that it is the following claims, including all equivalents, which are intended to define the scope of this invention.

See '416 patent, col. 7, 11. 17-19 and 61-68, col. 8, 11. 1-4.

NTI next refers to the language of dependent claims, 2, 5, 7, 20 and 21, in support of its position that a capability of monitoring all five line states is not required. Claims in dependent form are construed to include all limitations of the claim incorporated by reference into the dependent claim. See 37 C.F.R. 1.75(c).

Claim 5, which is dependent on claim 1, provides that:

> 5. The invention of claim I wherein said monitor comprises means for recording the coded information associated with each call and means for recording information for each call indicative of the time each call entered one of a preselected set of line states, including at least two of the following: IDLE, ON HOLD, SERVICED, RING and INTER-RING.

Citing to the "infringement test" set forth in the Manual of Patent Examining Procedure ("M.P.E.P."), NTI argues that since claim 5 requires that a minimum of only two line states be recorded, claim 1 cannot be construed to require more than two. The test is set forth in § 608.01(n) of the M.P.E.P. as follows:

> The test as to whether a claim is a proper dependent claim is that it shall include every

> limitation of the claim from which it depends (35 U.S. C. 112, fourth paragraph) or in other words that it shall not conceivably be infringed by anything which would not also infringe the basic claim.

See M.P.E.P. § 608.01(n) (6th ed. 1995) at 600-54.

NTI contends that TRI's proposed construction of claims 1 and 19 clearly violate the "infringement test," pursuant to which claim 1 must be construed as requiring no more than is required by claim 5, i.e., "at least two."

Claim 7, which is dependent on claims 1 and 6, refers to "means for detecting when the telephone line enters one of a plurality of line states" (claim 6) and "wherein the plurality of line states comprises at least two of the following: IDLE, SERVICED, ON HOLD, RING and INTERRING." The dictionary defines "plurality" as "'the state of being plural" and "plural" as "of, relating to, or constituting a class of grammatical forms usu. used to denote more than one .... See Webster's Ninth New Collegiate Dictionary (1990). Thus, NTI argues that claim 1, on which claims 6 and 7 depend, cannot be construed as requiring more than two.

Claim 21, which is dependent on claim 19, also recites a "means for recording the coded information associated with each call and means for recording information for each call indicative of a time each call entered one of a preselected set of states, including at least two (emphasis added) of the following: IDLE, ON HOLD, SERVICED, RING and INTER-RING."

In light of the limitation of claims 5, 7 and 21 requiring only at least two states, it seems clear that the claimed line activity monitor need not be capable of monitoring all five basic line states.

Claims 2 and 20, which are dependent on claims 1 and 19, respectively, provide for a "means for recording information indicative of the duration of each call." NTI points out that this limitation more specifically defines the disputed claims 1 and 19 phrase "information indicative of usage of the telephone line" by specifying that this "information" can be "information indicative of the duration of the call." NTI claims that TRI's proposed construction of claims 1 and 19, i.e., that "information indicative of usage of the telephone line" must include all five basic line states makes no sense in light of claims 2 and 20. NTI questions the point of claims 2 and 20 calling for means for recording "information indicative of the duration of the call" if claims 1 and 19, from which they depend, already require recording that information and more. NTI asserts that the only logical construction of claims 1 and 19 is that the broad term "information indicative of usage" can mean one or more of a number of indicia of line usage. NTI reasons that because claims 2 and 20 would be anticipated by a system that recorded only "information indicative of the duration of the call," then it must follow that claims 1 and 19 would be similarly anticipated by such a system since a dependent claim cannot be infringed unless the claim from which it depends is also infringed.

After carefully reviewing the above and other language in the claims and specification, the court finds that NTI's interpretation of the disputed element is supported by the claims and specification. None of the language referred to by TRI mandates defining the phrase as requiring that a line activity monitor be capable of monitoring all five basic line states or be limited to those line states. No special definition of "line activity monitor" is set forth in the specification. Therefore, the terms "line activity monitor" and "information indicative of usage of the telephone line" as used in claims 1 and 19 should be construed as follows:

> An apparatus for monitoring activity or information indicative of how the telephone line is being used. All types of line activity or modes of line use need not be monitored and recorded, so long as at least some information indicative of line usage is recorded.

C. Disclosure of Elements by Prior Art CDR

The court next determines whether the prior art CDR system discloses (1) a "line activity monitor;" (2) "at least one telephone line which carries incoming telephone calls from a calling party to a called party;" and (3) a monitor "coupled to the telephone line."[5]

1. Line Activity Monitor

The court recognized in its original Order that the CDR records for each call the time it was answered and the time it was terminated. In support of its summary judgment motion, NTI provided the declaration of Lois Mitchell, NTI's Director of Meridian I Software Systems, who states that for the prior art product:

> The normal record includes identification information (i.e., CUSTNO, ORIGID, TERID and AUXID) specific to the incoming or outgoing call, the date and time at the start or

---

[5] NTI argues that TRI's last two arguments here have come too late since TRI did not .challenge in its opposition to the summary judgment motion that the prior art CDR lacked a telephone line, or that the CDR monitor was not coupled to a telephone. Although TRI should have raised the argument in its original opposition, the court will exercise leniency and address these two arguments, which in any event fail.

> end of the call, the call duration, and the digits dialed for an outgoing call....

See Amended Declaration of Lois Mitchell in Support of Northern Telecom Inc.'s Motion for Partial Summary Judgment of Invalidity of U.S. Patent No. 4,559,416 ("Mitchell Decl.") 9. This is also supported by the CDR system description issued by NTI in 1979 attached to Ms. Mitchell's declaration. TRI argues that the CDR feature does not constitute a line activity monitor as TRI defines the phrase and that NTI provided no proof that the CDR product could record anything other than the duration of a portion of the entire call.

The court finds that because the CDR product monitors call duration as well as the date and time at the start or end of the call, this is sufficient to disclose "a line activity monitor" as the term is construed by this court. Thus, there is no triable issue of fact that this element is anticipated by NTI's prior art CDR product.

2. Telephone Line

TRI next challenges whether the requirement that activity be monitored on "at least one telephone line which carries incoming telephone calls from a calling party to a called party" contained in the preamble to claims 1 and 19 is disclosed by the CDR product. TRI argues that because the CDR is an operator station recorder by definition and by operation, it does not monitor a line which carries a call from a calling party to a called party. Instead, TRI asserts, the CDR measures a portion of the operation of one party's telephone connection only and does not monitor the activity on the telephone line between the two parties.

The court does not fully understand TRI's argument, which TRI does not further explain. The CDR is an option which provides a record of calls. It records, on a per call basis, a description of each call, identifies the calling and called parties and notes the time and duration of each call. See Mitchell Decl. Ex. 1 (CDR System Description ¶ 2.01). The called party may enter the appropriate code to classify the call while the CDR associates the code with the call. Thus, it appears to monitor activity on a telephone line which carries calls from a calling party to a called party. The court therefore finds that TRI has not raised a triable issue of fact as to this issue.

3. Coupled to the Telephone Line

TRI also argues that the CDR product does not disclose the "coupled to the telephone line" portion of the element "a line activity monitor coupled to the telephone line to record information indicative of the usage of the telephone line" in claims 1 and 19. TRI points out that as described in the '416 specification, the claimed monitor includes telephone line cards which receive signals from telephone lines as inputs and are connected by a bus structure to the central processing unit. See '416 patent, col. 3, 11. 56-60. TRI asserts that NTI has presented no evidence that its CDR product is "coupled to a telephone line" as required by claims 1 and 19.

Once again, the court does not fully understand TRI's argument. TRI has not shown that to be "coupled to the telephone line," there must be the exact telephone line cards described in the preferred embodiment description. It seems clear that the CDR is "coupled to the telephone line," since the CDR records a normal record for each incoming or outgoing call, as even TRI acknowledges in its reconsideration motion. Therefore, the court finds that TRI has not created a triable issue of fact as to whether the CDR anticipates this element.

IV. NTI's Motion for Reconsideration

NTI moves for reconsideration of the court's denial of its motion for partial summary judgment on the issue of whether the phrase "while servicing, a call" should be implied before "generating coded information" in independent method claim 14 and dependent claims 15 through 18 of the '416 patent.

A. Summary Judgment Motion

In opposition to NTI's summary judgment motion, TRI argued that there was a triable issue of fact because the method steps of claim 14 must be performed while servicing a call at the operator station. NTI countered that the claim does not require that anything be done "while" the call is being serviced and that even if the missing words are implied, there is no reason why "while servicing the call" cannot include a brief "on hold" during the servicing. The court rejected NTI's argument, finding that the limitation "for servicing calls" in claim 14 may be interpreted to mean "line off hook not on hold" and that since the CDR system requires the caller to be "on hold" while the signal is sent, it may not meet the limitation in claim 14.

NTI contends that the court improperly assumed, though did not expressly state, that the claim 14 step of "generating coded information" had to be done "while servicing the call," since otherwise there would have been no need to even consider whether "while servicing" includes a brief "on hold" interval. Thus, it claims that the court passed over NTI's argument that claim 14 does not require that anything be done "while" the call is being serviced and addressed only NTI's secondary "even if position.

B. Construction of Claim 14

NTI argues that anticipation can only be avoided if claim 14 is construed as requiring in all instances that coded information be entered "while" servicing the call. Otherwise, it asserts, the claim will read on, and hence be anticipated by, the prior art CDR system which permitted a brief "on hold" interval while the coded signals were generated.

NTI points out that the sole complete example set forth in Table 2 at column 8, Example of Log for Call on Line K, of the '416 patent shows that coded information is not entered "while" the call is being serviced, but only after the call is terminated. The table shows that at elapsed time ETI, the telephone line enters the RING state. Thereafter, the telephone line enters various INTERRING, RING, VOICE, NO-VOICE, VOICE, ON-HOLD, and VOICE states at elapsed times ET2 through ET8. Then at elapsed time ET 9, the call enters the IDLE state, which is defined as "no activity on telephone line, i.e. the line is on hook and the line is not ringing nor is it between rings." See '416 patent at col. 5, 11. 19-22. Finally, at elapsed time ET 10, the "[c]oded signal C [is] entered by operator," which demonstrates that it is coded only after the call has been terminated and completely outside the "while servicing the call" interval.

NTI does not assert that claim 14 must be limited only to the Table 2 example, whereby the coded signals are generated outside of the servicing interval. Instead, it asserts, that it is enough for purposes of anticipation that claim 14 cannot be construed as excluding a method whereby the code signals are entered outside the servicing interval.

NTI contends that once the claim is properly construed as only requiring a "servicing" step, and an "entering" step, without regard to whether the latter is performed "while" performing the latter, then the claim encompasses the prior

art CDR system, which places the caller briefly on hold while the coded information is entered, and is therefore anticipated.

TRI argues that claim 14 must be interpreted to require that coded signals be generated while an operator is servicing a call since this interpretation is consistent with the specification and the interpretation provided by TRI's expert. TRI points out that the term "servicing" is defined in the specification as "line off hook and not on hold." It then points to language in the specification which states that:

> Alternately, when the telephone line is used for tone signalling in the manner described above, acoustical filters can be connected between the outside party and the line activity monitor to filter out specific tones and combinations of tones used to carry the coded signals so that an outside party does not hear the coded signals.

See '416 patent, col. 7, 11. 25-30.

TRI also quotes TRI's expert, Dr. Hoff, who states that:

> Element number 3 of claim 14 of the '416 patent expressly requires that the coded signals are generated by the operator while "servicing a call at the operator station." ['416 patent] at col. 10:41. The patent specification elaborates on this feature by . . . specifying that an operator may generate coded signals using the Touch-Tone pad "at my time during the conversation," (['416 patent] at Col. 6:68-Col. 7:4) i.e., without interrupting the conversations.

Hoff Decl. ¶ 10 (emphasis in original).

TRI's arguments are not persuasive. TRI's reference to the '416 patent definition of "servicing" as "line off hook and not on hold" is not relevant. NTI does not dispute that this definition applies to the "servicing" limitation. The issue is simply whether the "generating code signals" limitation must be carried out only "while" servicing the calls.

The claim states a method for generating coded information to be associated with the incoming call. The plain meaning of this language indicates that the coded information must merely be linked or associated at some point to the call, without specifying when. The language quoted by TRI set forth at column 7, lines 25 through 30 of the specification does not demonstrate that the code signals must be carried out only "while" servicing. With respect to Dr. Hoff s testimony, it would be improper for the court to consider it since the intrinsic evidence is sufficient. Even if the court needed to consider such expert testimony, Dr. Hoff s declaration does not create an issue of fact since Dr. Hoff s testimony appears to be inconsistent with the example set forth at Table 2, column 8 of the patent specification. "Where the legal expert's view of how the patent should be construed conflicts with the patent document itself, such conflict does not create a question of fact nor can the expert opinion bind the court or relieve the court of its obligation to construe the claims according to the tenor of the patent." Markman, 52 F.3d at 983. Further, the court does not find that the portions of the specification cited by Dr. Hoff support his opinion as the sole conclusion.

The court therefore finds that the word "while" should not be interposed before the word "generating" and the phrase "servicing a call at the operator station; generating coded information at the operator station to be associated with the incoming call" should be given the following construction:

> The claimed elements "servicing a call at the operator station" and "generating coded information at the operator station to be associated with the incoming call" are separate method steps. The claim does not specify "when" the coded information is entered and does not require that the coded information be entered only "while" the call is being serviced. The coded information can be entered at any time so long as it can be associated with the call, e.g., during the call, while the caller is placed on hold, during the call while the call is not on hold, or after the call is completed.

C. Disclosure by Prior Art CDR

The court agrees with NTI that once the claim is construed as only requiring a "servicing" step, and an "entering" step, without regard to whether the latter is performed "while" performing the former, then there is no triable issue as to whether these two elements encompass portions of the prior art CDR system.

As evidence that the CDR feature, like the allegedly infringing SL-1 PBX ACD-MAX option, provides the capability to service a call at the operator station, NTI provides the declaration of Lois Mitchell, Director of Meridian 1 Software Systems at NTI. She explains that with the ACD option on its SL-1 PBX product sold in 1980, incoming calls were distributed among the available telephone sets (called ACD Agent Positions) and that the SL-1 PBX sold by NTI in 1980 with the CDR system having the Charge Account feature was connected to one or more telephone sets each serving as a non-ACD station or an ACD Agent Position. See Mitchell Decl. ¶¶ 5, 8.

As evidence that the codes were entered on the agent's telephone, NTI points to Ms. Mitchell's declaration in which she states that the SL-1 PBX products sold by NTI in 1980 with the CDR system having the Charge Account feature permitted each telephone set connected to the PBX to be used for entering a charge account code for each incoming and outgoing call and that the normal record for an incoming or outgoing call is associated with the Charge Account Record for the same incoming or outgoing call through common identification information. Id. ¶¶ 10, 12. It does not matter that the codes may need to be entered while the caller is on hold.

Therefore, the court finds that the claim elements "servicing a call at the operator station" and "generating coded information at the operator station to be associated with the incoming call" encompass portions of the prior art CDR system. Because this is the only issue raised by NTI in its reconsideration motion and because the court found no other triable issue of fact with respect to claim 14,[6] the court in reconsidering its prior Order hereby grants NTI's motion for partial summary judgment on the issue of whether claims 14 through 18 are anticipated by the CDR system.

V. ORDER

For the foregoing reasons, the court grants NTI's motion for reconsideration and denies TRI's reconsideration motion.

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[6] TRI makes several other arguments in opposition to NTI's reconsideration motion. The court has already rejected many of these arguments and does not consider them again. With respect to TRI's new arguments, the court does not consider them since leave was only granted to NTI on the discrete issue discussed above.

Claims 1, 14 through 18 and 19 are anticipated by the prior art CDR system and are therefore invalid.[7]

DATED: 9/29/98

/s/
RONALD M. WHYTE
United States District Judge

[7] The court believes that this order resolves the last of the outstanding issues in this case between the parties. If any party believes otherwise, it should notify the court immediately.

(2)

No. 99-1800

Supreme Court, U.S.
FILED
JUN 12 2000

In the

Supreme Court of the United States

October Term, 1999

THEIS RESEARCH, INC.

Petitioner,

v.

NORTHERN TELECOM INC.,

Respondent

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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RESPONDENT NORTHERN TELECOM INC.'S OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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STATEMENT PURSUANT TO RULE 29.6

Respondent Northern Telecom Inc. (now known as Nortel Networks Inc.) is a wholly owned subsidiary of Nortel Networks Ltd. which in turn is wholly owned by Nortel Networks Corporation.

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Pursuant to Supreme Court Rule 15, Respondent Northern Telecom Inc. ("NTI") respectfully opposes the Petition for a Writ of Certiorari submitted by Theis Research, Inc. ("TRI").

I. *THE REQUEST FOR RELIEF IS FACIALLY FLAWED*

While there is no hard and fast rule, one would expect a party seeking Supreme Court review on a petition for a writ of certiorari to state with clarity the compelling reason, under Supreme Court Rule 10, which justifies Court review.

On its face, the Petition purports to seek grant of the writ, vacatur of the judgment below, and remand for further consideration (GVR) in view of the Court's decision in *Dickinson v. Zurko*, 527 U.S. 150 (1999). Supreme Court Rule 10 contemplates, but does not mandate, review where a decision of a court of appeals "conflicts" with a relevant decision of the Court. Where a decision below was issued prior to a decision of the Court, and where the decision below "conflicts" with the later relevant decision of the Court, a GVR order may be appropriate. *See Lords Landing Village v. Continental Ins. Co.*, 520 U.S. 893, 896 (1997).

A closer reading of the Petition reveals, however, that TRI does not contend that the decision below "conflicts" with *Zurko*; to the contrary TRI *concedes* that *Zurko* is limited to "the context of a direct appeal from a patent prosecution decision." Petition at 6. In fact, the holding in *Zurko* is even

narrower than TRI concedes, being limited to PTO "denials" and the direct appeals of such denials to the Federal Circuit. It was in this narrow context, and this context alone, that *Zurko* held that the deference due to factual findings of the PTO is governed by 5 U.S.C. § 706(2)(A), (E).

Also by its express terms, *Zurko* cautions that where the appeal to the Federal Circuit is from a district court decision, § 706 does not apply, and notes that the "court/court standard of review" might apply — i.e., "the [Federal] Circuit now reviews Federal District Court factfinding using a 'clearly erroneous' standard." 527 U.S. at 164.

The present case stems from an appeal to the Federal Circuit from a decision of the District Court for the Northern District of California, holding TRI's '416 patent invalid on summary judgment for anticipation under 35 U.S.C. § 102(b). In the circumstances, TRI cannot, and indeed does not, contend that the decision below conflicts with *Zurko*.[1] A GVR order is not, therefore, appropriate in this case.

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[1] The holding in *Zurko* is even further removed from the case at bar because in addition to involving a "court/court" review, there are four additional reasons why this case has nothing to do with the issue of "deference" that might be owed to factual findings, i.e.: (i) in the district court no PTO determination of fact was relied upon or even mentioned, (ii) the district court's grant of summary judgment of invalidity was expressly grounded on a finding that there were no disputed material facts (Petition at E-7), (iii) the Federal Circuit applied a *de novo* standard of review, and (iv) the Federal Circuit ultimately agreed that there was "no genuine dispute as to the facts." Petition at B-2.

Once it is recognized that TRI is not alleging a conflict with *Zurko*, it becomes immediately apparent what actually is being asked of the Court — a GVR order so as to require the *Federal Circuit* to consider and resolve what TRI contends is an undecided question of federal law. *See* Petition at 7. Such a request runs directly contrary to the S. Ct. R. 10(c) guideline,[2] which provides for Supreme Court review where a court of appeals "*has decided* an important question of federal law that has not, but should be, settled by this Court." (Emphasis added). The very gravamen of the Petition is that the Federal Circuit has *not decided* the question presented, and that the Court should deputize the Federal Circuit for the sole purpose of obtaining an advisory opinion on a question that has no application to this case, that is untimely (not having been raised in the district court), and that in any event is unworthy of review on the merits.

II. *COUNTERSTATEMENT OF THE CASE*

Supreme Court Rule 15.2 admonishes respondents that in addition to presenting other arguments for denying the petition, they should point out any perceived misstatements of fact or law in the petition, and on failure to do so they may be deemed waived. Accordingly, NTI notes the following.

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[2] NTI is cognizant that Rule 10 is a guideline only, and that it does not fully measure the Court's discretion in exercising its jurisdiction on writ of certiorari.

The decision of the court of appeals affirming the summary judgment of invalidity was *not*, as averred in the Petition, "inconsistent with a previous determination made by the United States Patent and Trademark Office (PTO) in issuing the patent." Petition at 3. It is undisputed that the prior art upon which the holding of invalidity was based was not considered by the PTO, and hence the holding of invalidity cannot even be argued to be inconsistent with any PTO factual determination.

Also in this regard, TRI's statement that "Respondent made no showing to distinguish its [anticipating] product from the prior device considered by the PTO" is disingenuous. As will be discussed *infra*, the *reason* NTI did not made any showing (at least in the district court) to distinguish its product from the prior art device considered by the PTO was that it was not until this case reached the Federal Circuit that TRI even referred to the prior art considered by the PTO, and there urged for the first time that deference was owed to the PTO's determination to allow the '416 patent to issue. Theretofore, TRI never even mentioned the PTO-considered prior art "OPAS" device, much less describe it or urge that it was in any way relevant to the issue of anticipation. Indeed, when it belatedly argued that deference was owed to the PTO'S earlier consideration of the "OPAS" device, TRI was forced to ask the Federal Circuit to take "judicial notice" of that device.

Moreover, and contrary to the statement and implication in the Petition (at 4), the device sold by NTI more than a year prior to the critical date was not similar to the

prior art considered by the PTO. In this regard, the Petitioner takes care to list only the features of the prior art "CDR" device (i.e., that was held to anticipate) that were also present in the prior art device considered by the PTO. TRI omits from its description of the anticipatory "CDR" device the critical feature *not* found in the PTO prior art, i.e., its ability to accept coded signals entered *by the called party* in order to classify the call (for example, a pre-selected code to identify the purpose of the call). This ability was an essential *claimed* feature of the monitor of the '416 patent ("a signaling device ... for generating a plurality of *called party selected* code signals ... in order to classify the incoming calls ..." Petition at E-4), because it permitted call data (e.g., time and duration of respective calls) to be correlated with the type of call (e.g., sales inquiry, service inquiry, complaint). The prior art device considered by the PTO only permitted the entry of coded signals by the *calling* party, for example to enable the cost of the outgoing call to be billed to the call recipient. TRI argued this distinguishing feature in the PTO, and it was based upon this argument that the '416 patent was allowed to issue.

In these circumstances, Petitioner's assertion that it "argued to the Federal Circuit that deference should be given to the prior determination of the PTO" takes on a whole new meaning and significance. Far from providing a basis for preserving the stated question for appeal, it is in reality a tacit admission that no such argument was made in the district court.

It is not, therefore, surprising that TRI's bare assertion, that the "claim interpretation" made by the district court and affirmed by the Federal Circuit was inconsistent with the prior determination of the PTO, is bereft of support. There was no PTO claim interpretation, nor indeed any effort in the district court even to explain what happened in the PTO.

The device described on page 3 of the Petition is the preferred embodiment described in the '416 patent, and includes features expressly held in the courts below not to be elements of the claims. For example, and as held in the courts below, there is nothing in the claims that requires that the monitor "records the different states of an incoming line," or that it allow analysis and tracking of specific information such as how many rings it takes for a call to get answered. At most, the claims broadly call for recording of "information indicative of the usage of the telephone line." (Petition at E-4). This broad recitation was construed by the district court as follows:

> All types of line activity or modes of line use need not be monitored and recorded, so long as at least some information indicative of line usage is recorded.

Id. at E-17.

Finally, TRI's characterization of the evidence submitted by NTI to prove anticipation (*id.* at 4) cannot go unchallenged, particularly lest such challenge be waived under Supreme Court Rule 15.2. Far from being based solely

upon one "employee's declaration and judicial speculation," NTI submitted hard evidence clearly and convincingly demonstrating that the claims were fully anticipated. Here this Court need only look to the district court's detailed discussion of the law and the undisputed facts. *See id.* at E-1 to E-26.

III. *ADDITIONAL REASONS FOR DENYING THE PETITION*

As noted above, TRI purports to forego plenary review by the Court, and instead glibly requests that the decision of the Federal Circuit be vacated and that the case be remanded for further consideration in light of the Court's decision in *Dickinson v. Zurko*.

It is respectfully submitted that the standards for granting the Petition are not lessened by TRI's purported willingness to have the question presented considered in the first instance by the Federal Circuit. To the contrary, for all of the reasons set forth below that render inappropriate consideration by the Court of the question presented, consideration by the Federal Circuit is similarly unwarranted. The question presented is untimely, it is purely hypothetical, and it is otherwise unworthy of review on the merits, and these facts apply with equal force to render completely inappropriate its consideration by the Federal Circuit.

A. *The Question Presented Is Untimely*

As noted in the above Counterstatement, it was not until this case reached the Federal Circuit that TRI came forward with its "deference" argument. When TRI decided, for the first time, to present this argument to the Court of Appeals, it did not and could not point to anything in the record below to support its contention that the art considered by the PTO was cumulative of the art ultimately held to be anticipatory. To the contrary, TRI took the extraordinary tack of asking the Federal Circuit to "take judicial notice" of the prior art "OPAS" system that was described in an article cited by the PTO Examiner during the prosecution of the '416 patent. As stated in TRI's brief in the Federal Circuit:

> Pursuant to Fed. R. Evid. 201, TRI respectfully requests that the Court take judicial notice of the prosecution history, specifically the cited reference [OPAS] article.

Appellant's Brief in the Federal Circuit at 30. Since nothing had been said about the OPAS system in any witness testimony, or indeed in any district court brief by any party, TRI's desperate but misplaced reliance on Rule 201 was perhaps understandable. At the very least, however, this critical aspect of TRI's alleged reliance upon the PTO's "expertise" should have been included in TRI's Petition, and not left for clarification by Respondent NTI. This Court has consistently considered it to be critical, indeed dispositive, where the very point raised in a petition for certiorari was not even mentioned in the trial court. As noted in *Ramsey v.*

United States Mine Workers of Am., 401 U.S. 302, 312 (1971):

> We find no reference to this aspect of the case in the opinions of the District Court and the Court of Appeals. We are unsure whether it was presented below and whether, in any event, there is record support for it. Accordingly we deem it inappropriate to consider in the first instance.

In the case at bar, one will search the opinions below in vain for any reference to the prior art considered by the PTO. By invoking Fed. R. Evid. 201 in the Federal Circuit, TRI tacitly admitted that the PTO deference issue was not raised in the district court and that there was no district court record support for it.

TRI's failure to advance its deference argument in the district court was not, moreover, due to oversight or excusable in light of the later decision of this Court in *Zurko*. Even prior to *Zurko*, TRI had ample incentive in the district court to prove, if it could, that the prior art alleged by NTI to anticipate was the same as or no more relevant than the prior art considered by the PTO. If such were true, TRI could have relied upon established law that the burden of proving patent invalidity not only must be met by clear and convincing evidence, but

> [w]hen no prior art other than that which was considered by the PTO Examiner is relied on by the

> attacker, he has the added burden of overcoming the deference that is due to a qualified government agency presumed to have properly done its job....

American Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1359 (Fed. Cir. 1984). Of course, had TRI attempted the cavalier assertion made here (Petition at 4) that the prior art "OPAS" system shared certain common features with the invalidating CDR device, it would have been forced to explain away, *inter alia*, the OPAS system's lack of the claimed "called party selected code signals ... in order to classify the call." It was only later, i.e., on appeal, that TRI considered its deference argument to be immune from district court scrutiny, and only then that it asked the Federal Circuit to tackle the issue on its own — i.e., by way of "judicial notice."

In the circumstances, TRI must be presumed to have knowingly and intentionally forgone its deference argument in the district court. Whatever the other weaknesses of this argument, on this basis alone the Petition should be denied.

B. *The "Question Presented" Is Purely Hypothetical in the Context of this Case*

TRI posits the following question for consideration, whether by the Court or by the Federal Circuit:

> When courts adjudicate the validity of patent claims, whether and to what extent deference is to be given a

> prior patentability determination by the United States Patent and Trademark Office.

Petition at i.

In its seven (7) page Petition, TRI makes no attempt to explain what factual issues were presented to the PTO for consideration, much less what "prior patentability determination[s]" were made and arguably entitled to deference. In addition, neither the district court nor the Federal Circuit made any factual findings as to any disputed matter (*see supra* note 1), with the result that it was not even possible to accord deference to the factual finding of an administrative tribunal.

TRI's silence leaves the Court in a hypothetical quandary. Is TRI urging that some new deferential standard should apply when the exact same factual issues were addressed and determined by the PTO as were addressed and determined in the court(s) below? If so, then the facts of this case, i.e., where the district court was not even asked to consider the PTO prosecution history of the '416 patent, provide a singularly inapt context for appellate determination. Moreover, and as noted *supra*, established law, not here criticized by TRI, already defines the heavy burden borne by a party that relies upon

> no prior art other than that which was considered by the PTO Examiner ... he has the added burden of overcoming the deference that is due to a qualified

> government agency presumed to have properly done its job.

American Hoist, 725 F.2d at 1359.

On the other hand, if TRI is suggesting that some broader deferential standard should apply, for example where the PTO never considered the prior art relied upon in the court below, then existing and controlling law, as well as simple common sense, would seem unassailable, i.e.:

> When an attacker, in sustaining the burden imposed by § 282, produces prior art or other evidence not considered in the PTO, there is, however, *no reason to defer to the PTO* so far as its effect on validity is concerned. Indeed, new prior art not before the PTO may so clearly invalidate a patent that the burden is fully sustained merely by proving its existence and applying the proper law;....

Id. at 1359-60; emphasis added. That is exactly what happened in the present case, where the prior art CDR, once made known to the district court, resulted in a holding of invalidity as a matter of undisputed fact and law.

In sum, TRI offers no more than broadly stated platitudes about court interpretations and determinations that were "inconsistent" with the "PTO's prior determination." Whether because it is unable (which it is, *see supra* p. 11), or even unwilling (which dictates the same result), TRI points to nothing in the record which would aid the Court in defining

the real issue presented by the facts of this case. The question presented is, in a word, hypothetical.

C. *The Question Is Unworthy Of Review on the Merits*

Even if the question presented were definable in the context of the district court record, and even if it had been raised in a timely manner, it would still be unworthy of consideration by this Court or the Federal Circuit.

Although TRI does not expressly so state, it is clear from its Petition that TRI is asking that some higher standard of deference be accorded PTO "determinations" of patentability. Here TRI attaches significance to the recent decision of this Court in *Zurko* which by its language is limited to direct appeals to the Federal Circuit of PTO patent "denials." In the limited context of such direct appeals — which by definition would be on the exact same record underlying the PTO denial — this Court held that the standard of review mandated by 5 U.S.C. § 706 should apply (i.e., whether the administrative agency's factual determination was arbitrary, capricious, an abuse of discretion, or unsupported by substantial evidence).

While TRI is not so bold as to so state, apparently it would have a similar standard applied in situations where a patent actually issues. Under such a standard, regardless of the level of proof adduced by an accused infringer in the district court, a patent would withstand an attack on its

validity unless it were determined that the PTO, on the record before it, acted arbitrarily, etc., when it allowed the patent to issue. The implications of such a fundamental change in our patent system are too numerous to list, but include the following:

(a) The patent statute itself, 35 U.S.C. 282, contemplates challenges to patent validity. If an "arbitrary, capricious ..." standard of deference were applied to the PTO's mere act of issuing a patent, the invalidity defenses permitted and encouraged by Congress would be eviscerated.

(b) "[T]he important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain" (*Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969)), would likewise be thwarted. As noted in *Lear*,

> A patent, in the last analysis, simply represents a legal conclusion reached by the Patent Office. Moreover, the legal conclusion *is predicated on factors as to which reasonable men can differ widely.* Yet the Patent Office is often obliged to reach its decision in *an ex parte proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.*

395 U.S. at 670 (emphasis added). The standard TRI advocates would insulate all patents from the evidence and arguments advanced in *inter partes* proceedings.

(c) Regardless of what label may be applied to, or what language may accompany, a PTO decision to allow a patent to issue, in actual fact there is never a PTO "determination" of patentability. The patent statute does not require that the PTO make an affirmative determination of patentability; rather it could not be clearer in providing that "[a] person *shall* be entitled to a patent *unless* ..." at least one of the expressly defined bars to patentability are found by the PTO to exist. 35 U.S.C. § 102 (emphasis added). Thus at most, and pursuant to statute, the PTO is charged with the duty of determining whether a *bar* to patentability exists, and in the absence of such a bar the PTO is *required* to cause the patent to issue. The application of an "arbitrary, capricious ..." standard to what is not even a determination of patentability defies not only logic, but common sense. The case at bar is an apt example. The PTO was never apprised of the existence of NTI's prior art CDR system, and hence did not invoke a bar to patentability based on the CDR. The '416 patent issued not because the claimed invention was patentable, or even determined by the PTO to be patentable, but because the statutory bar was unknown to the PTO. Under an arbitrary or capricious standard of review, where the PTO action on the record before it might be beyond reproach, even the most flawed of patents might survive.

IV. *CONCLUSION*

For the foregoing reasons, it is respectfully submitted that TRI's Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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June 9, 2000

(3)

No. 99-1800

Supreme Court, U.S.
FILED
JUL 03 2000
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1999

THEIS RESEARCH, INC.

Petitioner

v.

NORTHERN TELECOM INC.

Respondent

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

When courts adjudicate the validity of patent claims, whether and to what extent deference is to be given a prior patentability determination by the United States Patent and Trademark Office.

Instead of plenary review, petitioner requests that the Court grant, vacate, and remand for further consideration in light of the Court's decision in *Dickinson v. Zurko*, 527 U.S. 150 (1999).

Rule 29.6 Statement: There is no parent corporation or publicly held company owning 10% or more of the stock of petitioner Theis Research, Inc.

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1. *Dickinson v. Zurko* Directs Deference to PTO Factual Determinations, Warranting GVR in This Case

Theis Research, Inc., (TRI) petitions this Court for grant, vacate, and remand (GVR). Holding certain patent claims to be invalid based on a factual determination, the Federal Circuit reached a decision inconsistent with a prior administrative determination by the United States Patent and Trademark Office (PTO). As in *Dickinson v. Zurko*, 527 U.S. 150 (1999), the PTO made a factual determination concerning the patentability of an invention in light of prior art.

The Federal Circuit and the district court never considered, let alone gave deference to, the PTO's prior administrative determination. The opposition of respondent Northern Telecom Inc. (NTI) does not dispute this. GVR is appropriate for consideration of this issue by the Federal Circuit in light of this Court's decision in *Zurko*. In *Zurko*, this Court reversed the Federal Circuit's adherence to a standard under which it reviewed according to its "own reasoning" factual determinations concerning patentability that had been made by PTO. *See In re Zurko*, 142 F.3d 1447, 1449-1450, 1458 (Fed. Cir. 1998)(en banc).

Petitioner TRI does indeed contend that the lack of deference in this case to the prior administrative determination conflicts with the Court's decision in *Zurko*. NTI argues that the holding in *Zurko* is limited to the narrow procedural context in which the case arose. TRI disagrees. In *Zurko*, 527 U.S. at 152, this Court stated:

> We must decide whether [5 U.S.C.] § 706 applies when the Federal Circuit reviews findings of fact made by the Patent and Trademark Office (PTO). We conclude that it does apply, and the Federal Circuit must use the framework set forth in that section.

Whether raised in a direct appeal from a patent prosecution or (as here) in a challenge to the validity of the patent claims, a factual determination of patentability by the PTO is still at issue. TRI respectfully submits that in either procedural context, this Court's decision in *Zurko* requires that the Federal Circuit give deference to the PTO's decision under the standard of § 706, having due regard for the PTO's agency expertise to "better deal with the technically complex subject matter" of such factual determinations. *See Zurko*, 527 U.S. at 160.[1]

At a minimum, the disparity between the Federal Circuit's treatment of the prior administrative determination in this case and the deference to PTO factfinding required by *Zurko* warrants GVR for further consideration by the Federal Circuit in light of *Zurko*.

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[1] NTI errs in arguing that deference to the administrative determination would deprive an infringing party of the ability to assert an invalidity defense. NTI's premise was rejected by this Court in *Zurko*:

> Moreover, if the [Federal] Circuit means to suggest that a change of standard could somehow immunize the PTO's fact-related "reasoning" from review, 142 F.3d at 1449-1450, we disagree.

Zurko, 527 U.S. at 164. Application of *Zurko* does not preclude an invalidity defense; instead, it provides for determination of the patentability issues on which such a defense is based in a manner that recognizes and utilizes the scientific and technical expertise of the PTO.

NTI quotes from *Lear v. Adkins*, 395 U.S. 653, 670 (1969), in which the Court held that a patent licensee does not waive the right to a challenge the validity of a patent. Unlike the circumstance discussed in *Lear*, NTI remains free to advance legal arguments (and, in this case, factual arguments) as to why it contends the administrative determination was arbitrary, capricious, or an abuse of discretion.

NTI misapplies a distinction made in *Zurko* between PTO factfinding and district court factfinding. In *Zurko*, the highly deferential court/agency standard of § 706 required for Federal Circuit review of PTO determinations was compared with the less strict court/court (clearly erroneous) standard for reviewing factual determinations by district courts. *Zurko*, 527 U.S. at 164. NTI argues that since this case came before the Federal Circuit on appeal from a district court, the § 706 deference prescribed by *Zurko* does not apply.

NTI's argument fails to recognize that the factual determination in question was made by the PTO.[2] The court/agency standard applies to review of the PTO's factfinding, regardless of whether that review is undertaken by the Federal Circuit or a district court. In *Zurko*, this Court explained that the district courts' *lack* of technical expertise (as distinguished from the PTO's expertise) warrants closer review of factfinding by the district courts. *Zurko*, 527 U.S. at 164 ("nonexpert judicial factfinding calls for the court/court standard of review"). That is not, as NTI suggests, a rationale for disregarding the PTO's expertise when a district court makes a determination involving the same technical issue of fact.[3]

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[2] NTI's call detail recorder was cumulative of the prior art call detail recorder that the PTO determined did not anticipate the patent claims. The PTO's administrative determination cannot be reconciled with summary judgment of anticipation based on NTI's cumulative product.

[3] Ironically, the Federal Circuit's original opinion in this case acknowledged that it applied the court/court clearly erroneous standard of review to *factfinding by the district court*—even though this case was decided on a motion for summary judgment. Petition appendix p. A-5. Only after the Federal Circuit was reminded by the rehearing petition of its *de novo* standard for reviewing the district court's grant of summary judgment, and that determination of the disputed factual issues on summary judgment

2. The PTO's Determination Is Presented in the Record

While acknowledging that the Federal Circuit did not accord consideration or deference to the PTO's prior administrative determination, NTI recognizes that petitioner TRI repeatedly asked the Federal Circuit to accord deference to the PTO's prior administrative determination. Thus, NTI's attempted reliance on *Ramsey v. United Mine Workers*, 401 U.S. 302, 312 (1971)(raising issue to Supreme Court in the first instance) is misplaced. Furthermore, GVR is sought for the Federal Circuit to consider this issue in light of the Court's *Zurko* decision in the first instance. Petitioner TRI has not requested plenary review by this Court.

NTI errs in suggesting that the PTO's finding of patentability over another call detail recorder was not presented by TRI to the district court. The district court was presented an excerpt from the patent prosecution history before the PTO where the patented claims were distinguished from the prior art "Operator Position Assistance System" (OPAS) call detail recorder. *See* district court record at pages A889-892 (also included in joint appendix on appeal).

3. NTI Fails to Show That Its Summary Judgment Motion Could Survive Deference to the PTO's Determination

The Federal Circuit affirmed summary judgment holding certain patent claims invalid on the premise that the claims were "anticipated"—i.e., set forth—in NTI's prior call detail recorder. As the Federal Circuit acknowledged, anticipation is a question of fact. Petition appendix at p. A-5. In addition to NTI's burden as the party moving for summary judgment, NTI had the burden of proving anticipation by clear and

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was improper, did the Federal Circuit amend the language of its opinion to delete such references. *Id.* p. B-2.

convincing evidence. *Electro Medical Systems, S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1052 (Fed. Cir. 1994).[4] By not addressing the facts in the patent prosecution history, NTI's showing was deficient at the outset.

In its opposition to GVR, NTI attempts to refute just one of the reasons why the prosecution history before the PTO conflicts with the summary judgment that NTI's product anticipated the patent claims.[5] NTI struggles unsuccessfully to draw a single distinguishing feature between its call detail recorder and the call detail recorder considered by the PTO. NTI claims that its call detail recorder, unlike the call detail recorder considered by the PTO, provided for entry of coded signals as selected by the called party.[6] At best, this disputed

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[4] NTI relied on the non-technical declaration of one of its marketing employees and failed to establish the technical facts necessary to prove anticipation. NTI is unable to identify any so-called "hard evidence," and the factual conclusions by the district court are indeed disputed. No evidence established that NTI's call detail recorder met the requirements of the patent claims (for example, a monitor coupled to the telephone line, automatic association in the monitor of a coded signal with the call record, or a coded signal indicating the nature of the call (as opposed to a billing number)).

[5] NTI is unable to refute that the Federal Circuit and the district court interpreted the patent claims without even consulting the prosecution history—even though they lacked the requisite expertise in the technical subject matter and were unsupported by any expert in the field. As did the courts below, NTI ignores—for example—the differences between call detail recorders and line activity monitors and the meaning that "coupled to the telephone line" has to those skilled in the field.

[6] As to the NTI product, NTI relies for this proposition on the "Charge Account feature" of its call detail recorder. District court record at A482-483 (declaration of NTI's marketing employee). As with the OPAS call detail recorder considered by the PTO, this

factual assertion demonstrates the error of summary judgment in this case. Furthermore, the relevant portion of the prosecution history—contained within the district court record and submitted to the Federal Circuit—proves that NTI's assertion is erroneous: the OPAS device reviewed by the PTO functioned in the same way.[7]

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is simply a billing function. Deference should have been given the PTO's determination that this does not anticipate the patent claims.

[7] NTI misstates that the billing codes in the OPAS system reviewed by the PTO are entered by the calling party. As stated in the OPAS reference and as discussed in the prosecution history, the information for billing is entered by the operator taking the call. District court record at A890 (excerpt from prosecution history). Moreover, as reviewed in the administrative proceeding before the PTO, billing information (whether in NTI's CDR or the OPAS system) is predetermined by the calling party. District court record at A891. Providing for the called party to classify calls, the patented telephone line activity monitor and method provide for the statistical analysis of line usage in a flexible and sophisticated manner. District court record at A892.

4. Conclusion

In this case involving the summary adjudication of a factual issue of patentability (anticipation), the PTO's previous determination of the same issue as to cumulative prior art should be considered and accorded deference by the Federal Circuit. Indeed, it was impossible for the courts below to determine whether there is a disputed issue of fact without reviewing the facts determined by the PTO.

This Court's decision in *Zurko* sets forth the standard for deference to the factual determinations of the PTO. Accordingly, TRI respectfully requests that this case be remanded to the Federal Circuit for further consideration in light of the *Zurko* decision.

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